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ABSTRACT

This instructor guide for a unit on risk management in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 3 of learning--starting and managing one's own business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: minimizing losses due to risks, policies to minimize losses, insurance needs, and costs of risk management options. (KC)

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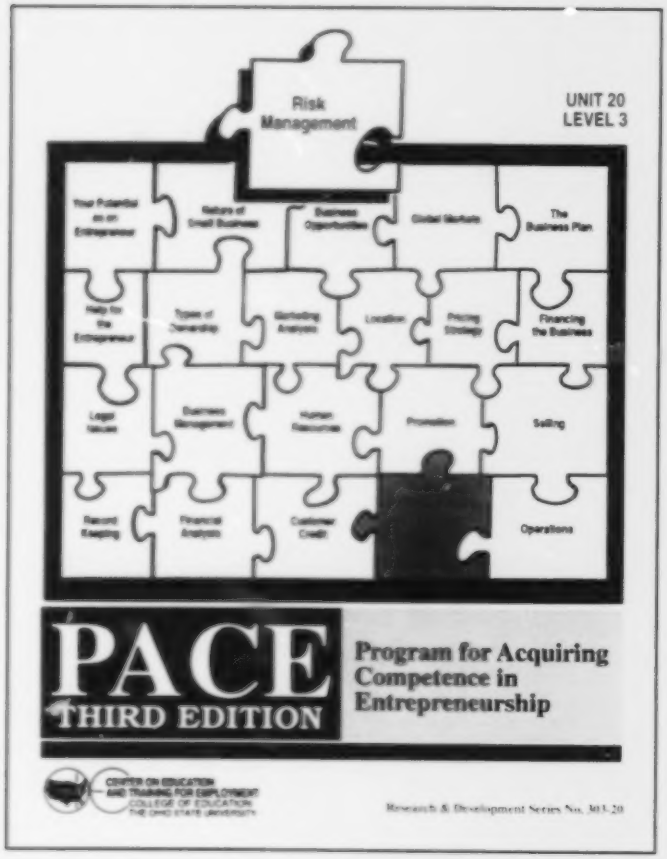

Objectives:

- Investigate how to minimize losses due to risks.
- Prepare policies that will help minimize losses.
- Determine the insurance needed for your business.
- Analyze the costs of risk management options.

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INSTRUCTOR GUIDE

Unit 20

Risk Management

Level 3

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

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Objectives	Teaching Suggestions
1. INVESTIGATE HOW TO MINIMIZE LOSSES DUE TO RISK	
What methods can be used to cope with risks?	The text describes three ways that businesses cope with, and attempt to minimize risk. Discuss and expand on each.
What is liability insurance?	Discuss the importance of various types of insurance that address the wide range of business risks.
What is casualty insurance?	Refer to above suggestion.
2. PREPARE POLICIES THAT WILL HELP MINIMIZE LOSSES	
How can management policies, procedures, and guidelines minimize risk?	Procure from local companies the written policies, procedures, and guidelines which they use to minimize their risks. The type of information will vary from company to company. Try to get information from different types of businesses and share it with the class.
What guidelines can be used to reduce shoplifting?	In the form of questions, the text provides some guidelines for antishoplifting policies. Encourage students to expand these guidelines by adding their own questions to the list.
What guidelines can be used to reduce bad check losses?	Review the guidelines provided in the text.
What guidelines can be used to reduce robbery and burglary losses?	Refer to above suggestion.
What guidelines can be followed to reduce vendor and employee theft?	Refer to above suggestion.
3. DETERMINE THE INSURANCE NEEDED FOR YOUR BUSINESS	
How can insurance protect your business?	The following are suggested topics for students to investigate and report on: early historical roots of the concept of insurance and its relation to small business; the history of insurance in the United States; the role of insurance in response to national disasters (e.g., hurricanes, floods, earthquakes, etc.); and the nature of specialty insurance offered by companies like Lloyd's of London.
How can a sound insurance program be developed?	To emphasize the importance of recognizing risks, give the class examples of different types of small businesses. On the chalkboard or overhead list the businesses followed by two columns, one for 'risks faced' and the second for 'minimizing action'. Record the findings of the class.

Objectives	Teaching Suggestions
How do you choose an insurance agent?	Working with the class, develop a plan for choosing an insurance agent. You may want to use the same types of small businesses that you proposed in the previous suggestion.
What is adequate insurance protection? Why is adequate insurance coverage important?	Stress the importance of seeking technical assistance when attempting to define risks and determine levels and adequacy of coverage.
What is property and fire insurance?	Refer to above suggestion. Many of these issues would be best addressed by a guest subject matter expert.
4. ANALYZE THE COSTS OF RISK MANAGEMENT OPTIONS	
How much does insurance cost?	Discuss the concepts of endorsements, actual cash value, actual replacement cost and deductible. Presenting insurance costs for specific businesses may serve as a useful examples. The guest speaker should be able to provide some generic data on typical insurance costs.

MODEL ASSESSMENT ANSWERS

1. The three most often used methods to control risk are: (1) eliminating risk, (2) developing sound management policies, and (3) shifting risk by purchasing insurance.

2. Because no retail business is safe from shoplifters it is important that policies be in place to deal with it when it occurs.

3. It is important to set a time to accept vendor shipments that is not during peak business hours. At these times, there is usually too much confusion, which creates a diversion and makes theft easier.

4. Some of the factors that affect the cost of insurance are; materials used to construct the building, type and amount of safety equipment, nature of business and types of materials stored, the location, and past record of accidents. Of course, many other factors could be added to this list.

5. Endorsements in respect to insurance are either additions to, or deletions from existing policies. Logically any additions will necessitate a higher premium, and conversely any deletions will lower the cost of the policy.

6. Increasing the deductible of an insurance policy means that the actual premium will go down. The trade-off occurs if, or when, there is an occurrence requiring a claim, then the out of pocket expense (the deductible) is higher.

7. A business should reevaluate its' insurance plan regularly. As a business expands or diversifies, the insurance needs will also change and must be updated to ensure adequate and appropriate coverage.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
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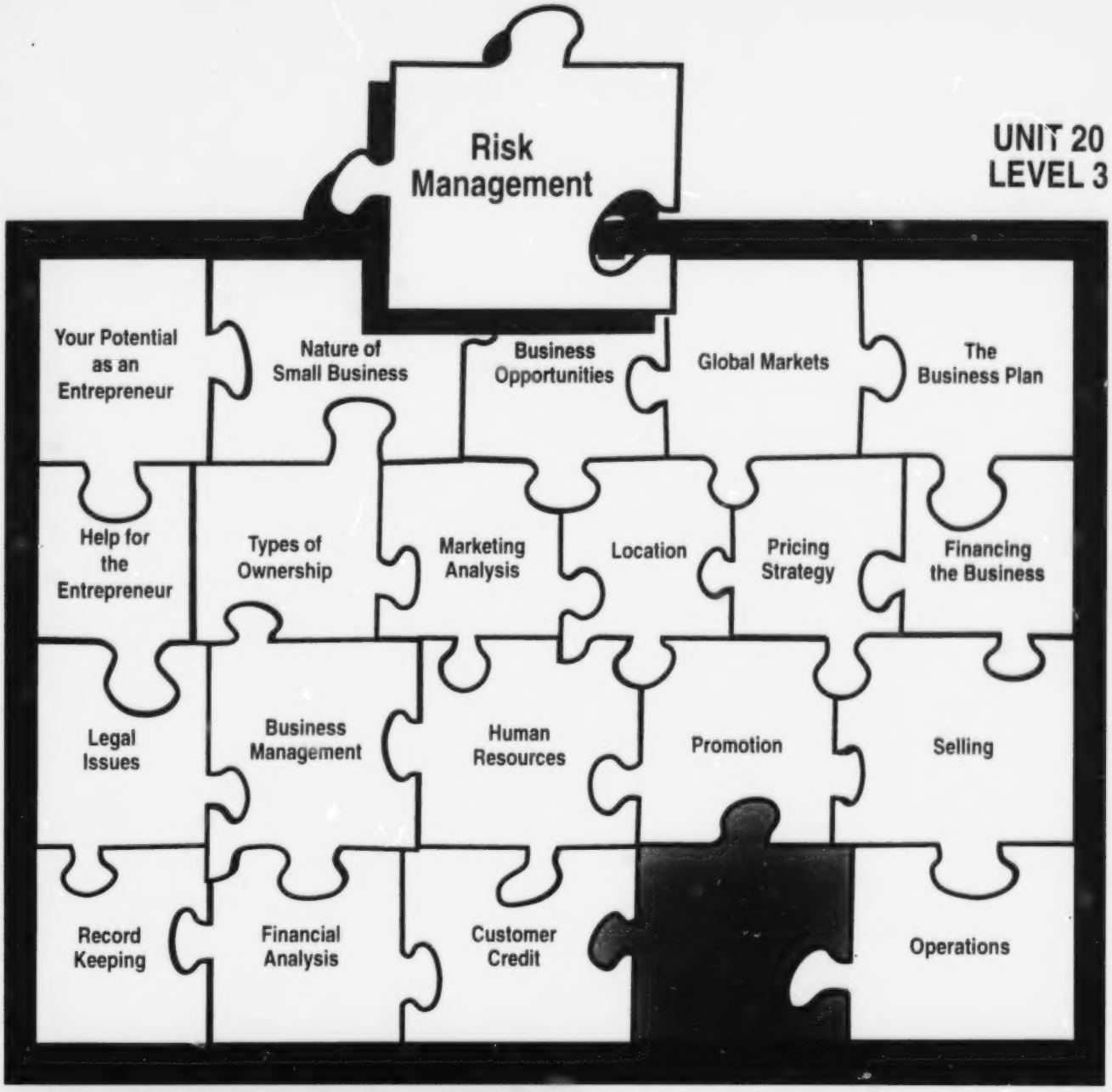

UNIT 20
LEVEL 3

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 303-20

RISK MANAGEMENT

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met in Level 1 and Level 2:

   Level 1

   - Discuss the importance of planning to minimize risk.
   - Define areas of risk for the entrepreneur.
   - Explain preventive measures that can be taken by entrepreneurs.

   Level 2

   - Explain the responsibility of the entrepreneur in risk management.
   - Identify various protective measures that can minimize shoplifting.
   - Describe procedures that can be used to reduce the amount of losses from internal theft.
   - Identify procedures that can be used to reduce the amount of bad check losses.
   - Discuss how to secure business premises against burglary and robbery.
   - Discuss how accidents and lawsuits can be prevented.
   - List the different types of business insurance policies available.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

   Actual cash value
   Actual replacement cost
   Actual replacement value
   Claims
   Climatic perils
   Coverage
   Deductible
   Endorsements
   Insurance
   Insurance broker
   Insurance policy
   Premiums
   Self insurance
   Supplemental perils
   Two-party checks

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RISK MANAGEMENT

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- investigate how to minimize losses due to risks,
- prepare policies that will help minimize losses,
- determine the insurance needed for your business, and
- analyze the costs of risk management options.

WHAT IS THIS UNIT ABOUT?

Once you have started your own business, you will need to identify all the risks faced by the firm and design a plan for protecting it against losses. All businesses risk losses, but it will be up to you to establish a sound protection program that will minimize your firm's losses. Such a protection program will consist of establishing policies and procedures for business management practices and purchasing insurance that will protect your business adequately. Businesses are different from one another, so protection plans may vary.

In this unit you will review how to minimize losses from the risks that a business faces. You will learn how sound management policies and adequate insurance protection can minimize losses. In addition, you will examine the factors that affect the cost of insurance protection.

WHAT METHODS CAN BE USED TO COPE WITH RISKS?

Proper risk management can be achieved by following these steps:

1. Identify the risks that the business faces.
2. Evaluate the probability of the occurrence of each risk that has been identified. Eliminate the risks from which you can afford to absorb losses.

3. Identify all possible methods of controlling the remaining risks. Consider the cost of each method, especially the cost of the required insurance coverage.

4. Implement the best method for controlling each risk.

You may be able to absorb some of the losses caused by the risks your business faces. Generally, however, most businesses control losses from risks by (1) eliminating the risks, (2) developing sound management policies and procedures to reduce risks, or (3) purchasing insurance to shift the risk to others.

Firstly, you could control losses by eliminating the risk once it has been identified. For example, if faulty wiring is detected, it should be replaced immediately. You could also use a delivery service to remove the risks associated with operating your own delivery vehicles.

A second way to control risk is to develop sound management policies and procedures. For example, a careful study of well-maintained store records should warn you of any developing trends. In addition, to reduce losses from crime, you must develop adequate policies and procedures, as well. You must decide whether or not to purchase security devices such as in-store cameras.

The third method to control risk is by purchasing insurance which shifts your losses to an insurance company. Usually, there is no alternative to purchasing insurance to protect your building and its inventory against possible losses such as fire, theft, floods, or hurricanes. In most states, owners are required by law to carry workers' compensation insurance to cover their employees. And, you must have liability insurance to cover accidents suffered by others on the premises of your business.

HOW CAN MANAGEMENT POLICIES, PROCEDURES, AND GUIDELINES MINIMIZE RISK?

A major part of protecting your business is the establishment of policies and procedures for dealing with specific risk situations. Policies and procedures help reduce misunderstandings and encourage consistent solutions to similar problems.

As a business owner, it is your responsibility to establish policies and procedures in several areas in order to minimize losses. You will need to formulate policies to reduce losses from shoplifting, bad checks, employee theft, vendor theft, robbery, and burglary.

WHAT GUIDELINES CAN BE USED TO REDUCE SHOPLIFTING?

Shoplifting is a universal crime, and no retail business is considered safe from this menace. This is an area that requires you to establish policies for both the apprehension and prosecution of shoplifters. Strong policies for dealing with shoplifters can discourage such theft at your business.

The following questions will serve as guidelines for establishing antishoplifting policies in retail businesses. However, remember that once you establish policies and proce-

dures, you must train your employees effectively to recognize and react to shoplifting.

- Will customers be permitted to bring shopping bags into the store without having them checked at the service desk or cashier's station?
- How many garments will customers be allowed to take into dressing rooms at one time?
- How will shoplifters be handled?
- What are the state laws regarding shoplifters?

In addition to establishing store polices and training employees in shoplifting prevention, you may also want to consider the purchase of equipment to deter shoplifters. These may include mirrors for the corners of your business, one-way mirrors, surveillance cameras, or tamper-proof/electronic price tags. These are added expenses, but uncontrolled shoplifting losses are also a drain on your profits.

WHAT GUIDELINES CAN BE USED TO REDUCE BAD CHECK LOSSES?

In recent years, the handling of business and personal transactions by check has greatly increased. This increase in the use of checks has opened the door to another kind of criminal activity—passing *bad checks*.

Customer services, such as check cashing, frequently give a business an advantage over the competition. However, if you decide that your business will accept customer checks for purchases, some safeguards are needed. You should have established procedures to follow so that all employees handle checks in the same manner.

You should give consideration to the following points when formulating a check-cashing policy:

- What identification will be required by the customer who wants to cash a check?
- What limit will be set for the amount of a check?
- Will checks be cashed for more than the amount of purchase?
- Will *two-party checks* be accepted?
- Will payroll, Social Security, and welfare checks be accepted?
- Which employee(s) will be authorized to accept checks and for what amount?

These are only general questions that you should consider when designing check-cashing guidelines. Think of others that relate to your specific business.

You may also want to consider the purchase of equipment that will deter chronic bad-check passers. Such equipment could include computer cash registers or fingerprint/photographic equipment. You may also

want to think about using a check verification service.

WHAT GUIDELINES CAN BE USED TO REDUCE ROBBERY AND BURGLARY LOSSES?

The threat of robbery or burglary is another risk that your business faces. It will be up to you to take every precaution to avoid a robbery or burglary. Good cash handling procedures, sound opening and closing routines, and adequate building safeguards are all vitally important.

There are certain precautions that you can take to minimize the chance of a robbery or burglary. Consider the following questions when designing operating procedures for your business:

- How will the lowest level of cash exposure be maintained?
- How will excess cash from registers be removed during the working day? Where will it be stored?
- What procedures will employees follow in the event of a robbery?
- Will there be a safe at the business?
- When will bank deposits be made? Can this procedure be designed to avoid a routine?
- How will cash deposits be carried to the bank?
- Is there enough interior and exterior lighting at the business?
- Are windows clear of ads or posters so that passing pedestrians and police can keep a watchful eye on the business?
- Are all exterior openings secure?
- Is equipment such as alarms and cameras needed?
- Are business locks secure? Can they be easily broken?
- Are the grounds around the business overgrown with shrubbery, or are there other places where a robber or burglar might hide?

WHAT GUIDELINES CAN BE FOLLOWED TO REDUCE VENDOR AND EMPLOYEE THEFT?

Theft by employees is another risk your business faces. Such theft could include taking money from the register, stealing merchandise, or stealing supplies and tools. However, you can take preventive steps to stop removal of cash and merchandise.

The following questions will serve as guidelines for establishing policies and procedures to deter employee theft:

- Did you carefully check the application and references of prospective employees?
- Who will ring up purchases made by your employees?
- Where can employees put purchases they have made in the store?
- Will employees be assigned to their own cash register?
- How will you deal with employees caught stealing?
- Which employees will have access to keys for the business?
- Which employees are responsible for checking in merchandise?

Establishing adequate screening procedures for hiring employees, having realistic goals for your employees, treating them fairly, and training employees in security procedures will minimize your losses due to employee theft.

Vendor theft is another problem that your business might face. To minimize such losses, establish policies by which employees are to check in vendors. Make sure they count each order carefully. You may also want to establish policies for the times that vendors will be checked in. For example, you may be too busy during peak hours to check a delivery adequately.

HOW CAN INSURANCE PROTECT YOUR BUSINESS?

An entrepreneur is exposed to many risks such as accidents, fires, injuries to customers or employees, automobile accidents, lawsuits, and literally hundreds of others. Losses from this kind of risk can cause you to lose the investment you have built up in your business. *Insurance* is one method you can use to minimize your losses from such risks. Used correctly, a sound insurance program can contribute a great deal to your success by reducing the uncertainties under which you operate. The potential benefits of good insurance coverage make it well worth your time to investigate insurance packages thoroughly.

When purchasing insurance, people pay money, called *premiums*, into a fund so that when one person suffers a loss, the fund reimburses that person. Obviously, the more *claims* (requests for loss reimbursement) that the fund pays, the more money it will have to collect. Although the premiums may at times seem high, the real loser is the person who suffers a loss and does not have any insurance to cover it.

HOW CAN A SOUND INSURANCE PROGRAM BE DEVELOPED?

Your insurance program should include certain elements. To make sure that you are covered adequately, you should take action in four ways:

- **Recognize the risks**. The first step toward good protection is to recognize the risks you face and decide to do something about them. Wishful thinking or "it-cannot-happen-to-me" attitudes will not lessen or remove the possibility that misfortune can strike your business.

- **Have a plan**. Identify what you expect insurance to do for your business. Do everything possible to prevent losses and to minimize the cost of those that do occur.

- **Study insurance costs**. Review your insurance program periodically to make sure that your coverage is adequate and that your premiums are as low as possible.

- **Get professional advice** about your insurance needs. Rely on an *insurance agent* or *broker* to help you sort out what you can insure from what you cannot. Insuring against every possible small loss is usually only an expensive nuisance. Forget about insuring any risk you can deal with in some other way at less cost.

HOW DO YOU CHOOSE AN INSURANCE AGENT?

A risk management program should be developed with the counsel of a competent insurance agent or broker. Choose your agent carefully, as you would any professional. Count on your agent for these services:

- A thorough evaluation of your current or proposed business in regard to its insurance needs.

- A careful comparison of insurance alternatives.

- Sound advice on loss prevention.

- Assistance in claims processing.

- A regular review of your insurance program.

In choosing an insurance company, consider the insurer's flexibility in meeting your requirements and the assortment of services provided by the agent. Decide which qualifications are most important to you and then inquire about agents among your business friends. The selection of an insurer should be based on cost, types of coverages offered, flexibility in coverage, and the financial stability of the firm. Choose an agent who is willing and able to survey your firm's exposure to loss and can recommend adequate insurance and loss prevention programs.

Be aware that insurance agents and brokers are salespeople, and although most are reputable and sincere, some may not be. Therefore, buy your insurance cautiously from someone you know to be responsible and knowledgeable. Finding a good insurance agent should be only the beginning of your insurance planning.

HOW MUCH DOES INSURANCE COST?

Developing an insurance program requires getting exact insurance costs. Insurance premiums vary according to the type of business. Many factors affect the risks your business faces, as well as the insurance premiums you will have to pay. These might include the following:

- the construction materials used in your building.
- the safety equipment kept in your building.
- the type of business activities you conduct and the materials or merchandise you use or store.
- your location. Are you near fire, police, and medical facilities? Also, how close is your business to others that have higher risk factors?
- your own record of accidents, claims, and the actions you have taken to reduce the risks of your business.

Businesses operating in high risk, high crime areas need the most insurance but often have the highest premiums. Businesses that experience a number of burglaries face increasingly higher premiums or even canceled *policies*. Furthermore, they have difficulty finding insurance companies willing to sell them policies.

Insurance premiums will also be affected by types of endorsements you select. *Endorsements* can be used to extend *coverage* beyond the basic insurance policy. Such extensions would raise your premiums. Endorsements can also exclude certain coverages in the basic policy that you may not need. In such a situation, your premiums would be lowered.

You must also decide whether to have insurance cover *actual cash value* (the cost less depreciation) or *actual replacement cost*. Some items such as manuscripts, microfilm, and blueprints are likely to be worth much more than their cash value.

Another factor that affects the cost of insurance is the amount of the *deductible*, which indicates the amount of the loss you will cover and not the insurance company. For example, a company vehicle has collision insurance with a $500 deductible. In the event of an accident, the insurance company will be responsible for all but the first $500 in damages. Increasing the deductible decreases your insurance premiums but causes your business to be faced with larger losses in the event of a claim.

You will also need to know exactly what your policy covers and the circumstances under which you can recover losses. Examine the policy very carefully. Read the policy thoroughly and be sure that you understand what you have read before you sign it. You may want to contact your attorney for advice.

WHAT IS ADEQUATE INSURANCE PROTECTION?

Knowing what kind of insurance to carry and how much to purchase is an important aspect of good risk management. If the

potential loss would be so great as to force the business into bankruptcy or cause serious financial impairment, then insurance should be purchased to cover the loss.

Consider your insurance needs carefully. Your first priority is to purchase the policy that will help minimize potential losses and provide the widest coverage for the firm. In the majority of cases, you are spending money based on the assumption that if certain potentially harmful events occur, they would be so damaging that they could put you out of business. Therefore, you must be able to define risks you face and make provisions for them.

Decisions about insurance are complex. If you are underinsured, you are risking disaster; if you are overinsured, you are spending substantial funds for nothing.

Do you have the necessary and adequate insurance coverage for your business activities? Or are you assuming too much risk? The following list can help you determine if your insurance program is adequate. It will also help you to determine if you understand any insurance policies you may already have, or provide questions for you to ask your agent when purchasing new insurance.

WHAT IS PROPERTY AND FIRE INSURANCE?

Before buying this kind of insurance, ask yourself:

- Can you add other perils, such as wind, hail, smoke, explosion, and vandalism to your fire insurance policy?
- How will you be compensated for your losses? For example, will you be paid actual cash value or will the property be repaired and replaced with similar property?
- Can you insure property you do not own? For example, a dry cleaner will want to insure customer's property while it is in the store.
- If you have a claim, what actions will you have to take in the future to protect your business and to keep your policy in effect?
- How soon will your policy pay off on a claim?
- How soon must you place a claim after a loss has occurred?
- If you and your insurance company disagree over the amount of loss, how will it be resolved?
- When and how can you cancel your policy?
- When and how can the insurance company cancel your policy?
- Can your building be insured while it is being built?

You should consider endorsements to basic fire insurance policies to include *supplemental perils*, such as sprinkler damage, vandalism, and malicious mischief, as well as *climatic perils*, such as earthquakes and tornadoes.

WHAT IS LIABILITY INSURANCE?

Liability insurance is protection from claims arising from injuries or damage to other people or property. Liability protection is very important for motor vehicles, home, and especially for business owners.

Buying liability insurance is related to the following questions:

1. What liability limits are adequate for your business?
2. Can your business be subject to damage claims even from trespassers?
3. Does your policy cover bodily injuries and personal injuries (libel, slander, etc.)

WHAT IS CASUALTY INSURANCE?

Casualty insurance coverage is primarily for the liability of an individual or business which results from negligent acts or omissions, thereby causing bodily harm or property damage to a third person.

Before deciding on what casualty insurance you should buy, ask yourself the following:

1. Are there any articles excluded from coverage by your burglary insurance?
2. Are there special conditions that must be met in order to collect on losses due to a burglary?
3. Will your insurance cover damage to your business caused by a burglar?
4. Do you qualify for federal crime insurance if you can not get insurance through normal channels?

More and more businesses are deciding to bear the risk of certain kinds of loss internally. Risk retention through *self insurance* can reduce overall insurance costs as long as your business can deal with the losses sustained; therefore, self insurance is not desirable for every type of business.

WHY IS ADEQUATE INSURANCE COVERAGE IMPORTANT?

A sound insurance protection plan is just as important to the success of your business as good financing, marketing, personnel development, or any other business function. Like the other functions, a good risk management program is not developed by accident; it is developed by organization and planning. A lifetime of work and dreams can be lost in a few minutes if you do not have an adequate insurance program.

On a regular basis (every 1-3 years), you should have your business reappraised by your insurance agent to be sure the insurance protection is adequate. As your company grows, its insurance protection needs updating.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

For a business in which you are interested, develop a risk management program. Make sure that you include the following:

1. Develop policies and procedures that will help you minimize losses due to shoplifting, bad check losses, internal theft, vendor theft, robbery, and burglary.

2. Develop a list of any mechanical devices, such as alarms, that your business will purchase to help minimize losses. Determine the cost of these devices.

3. Determine the types of insurance policies that your business will need. Contact an insurance agent to determine the amount and cost of this insurance protection.

B.

You are considering opening a new business in your community. Part of your risk management activities involve selecting an insurance agent or broker. Selecting the agent or broker that is best for you involves careful planning and consideration. One way to make that decision is to ask the right questions at the beginning. Make a list of questions that you would ask a potential insurance agent for your proposed business.

GROUP ACTIVITY

Work in teams of four to six. Assign each group a different insurance agent in the community to investigate. Each group is to assume it owns a 1,200 square foot building next to the school in which it wants to open a used-CD store. The group is interested in purchasing fire insurance for the building. Group members are to contact the agent they have been assigned to determine the cost of that insurance coverage. Each group should report its findings to the class about the types of coverages included and the cost of the desired insurance.

CASE STUDY

Jim has decided to open a pizza shop called "Speedy Pizza" in a strip shopping center which contains a grocery store and four other small businesses. Jim will rent the space where his business will be located. The business will not offer sit-down service, only pick-up and delivery. Customers will be able to call in their orders and then pick up the pizzas themselves, or deliveries will be made within a 3-mile radius.

His hours will be 11:00 a.m. until 11:00 p.m. This means that "Speedy Pizza" will be open 2 hours longer than other businesses at the shopping center. Credit cards will not be accepted, although checks will be accepted for the amount of purchase.

In the beginning, Jim feels that the only other employee he needs will be a delivery person. Jim's second car, a small compact car which is 5 years old, will be used for deliveries.

DISCUSSION QUESTIONS

1. Identify all the risks that Jim faces by opening "Speedy Pizza."

2. Indicate beside each risk listed whether you would handle the risk by (1) eliminating the risk, (2) purchasing insurance, or (3) developing policies and procedures that would reduce potential losses from the risk.

3. Since Jim is renting, he will not need fire insurance. What other types of insurance, if any, should Jim consider purchasing?

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ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What three methods are most often used to control risk?

2. Why is it important to develop policies concerning the prosecution of shoplifters?

3. Why is it important to establish policies concerning the times that vendors will be checked in at a business?

4. List factors which affect the cost of insurance.

5. How can endorsements lower and raise insurance premiums?

6. Explain how increasing the deductible on an insurance policy can be used to lower insurance premiums.

7. Why should a firm's insurance plan be reevaluated on a regular basis?

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
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Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
⇨ Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business